



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931
1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: October 27, 2003
TO: Group Insurance Board
FROM: Steve Grob
Program Manager, Optional Insurance Plans
SUBJECT: Long-term Care Replacement Policy – John Hancock LTC-03 WI

This memo recommends that the Board approve the John Hancock replacement policy.

John Hancock is currently authorized by the Board to offer long-term care insurance policies under the Board's guidelines for optional insurance Plans and Wis. Admin. Code Chapter ETF 41. John Hancock is in the process of updating the policy currently offered to state employees and retirees because it is being replaced with a more modern product.

The replacement policy continues to meet all the Board's requirements, and in addition is enhanced by provisions that allow more flexibility or benefits to the subscriber. Benefits have been added that reflect product knowledge, and customer wishes that have become apparent in recent years. For example, additional benefits are provided for covered individuals under the age of 65. If the subscriber dies prior to age 65, there is a full refund of paid premium, less any claims paid. Also, if qualified services are required as a result of an accident prior to age 65, the daily or monthly limit is doubled. Optional riders are available to extend the premium return age described above beyond age 65.

John Hancock has filed the new policy with the Office of the Commissioner of Insurance. OCI approved this new long term care policy series LTC-03 WI.

The proposed renewal was forwarded to the Board's consulting actuaries, Deloitte and Touche for review. We asked the actuaries to review the reasonableness and stability of the pricing. The Deloitte and Touche review (copy attached) indicates that the actuarial memorandum submitted by the insurer supports the premium and appears to be priced appropriately for a stable rate given current industry standards.

The actuaries have noted that in some cases there are significant increases in premium. Options that have long benefit periods or are offered at younger age categories have had the most dramatic premium increases. Approval of this new policy will not affect the benefits or premiums for the existing John Hancock policyholders.

Staff recommends approval of the renewal proposal.

Reviewed and approved by Tom Korpady, Division of Insurance Services.

Signature _____

Date _____

Board	Mtg Date	Item #
GIB	11/18/2003	6